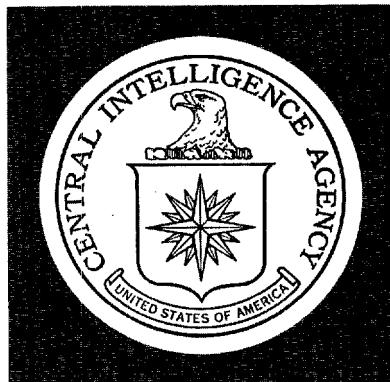


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DIA and DOS review(s) completed.

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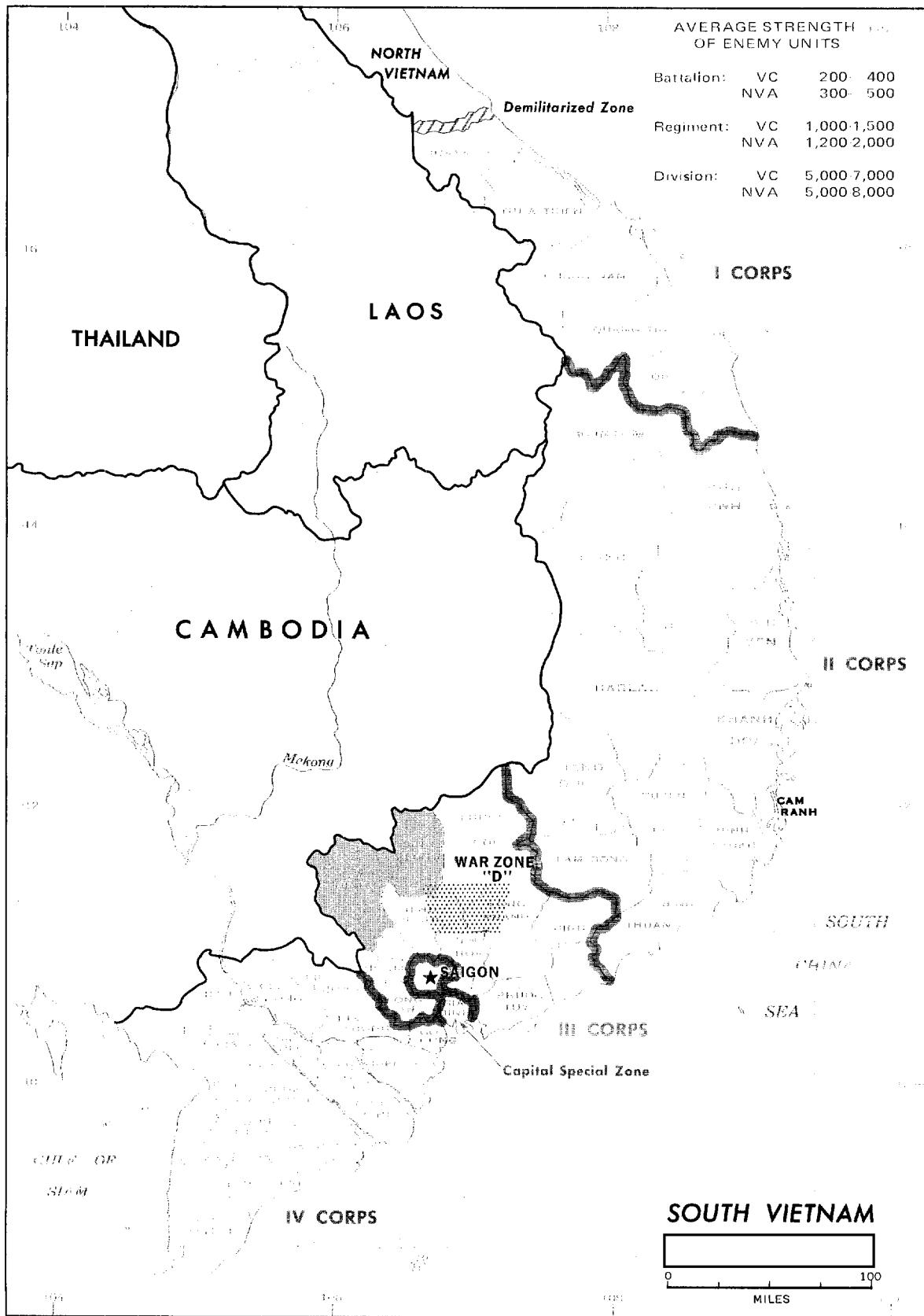
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**C** South Vietnam: Fighting has flared up in the provinces north and west of Saigon.

The Communists unleashed 15 mortar and rocket barrages against allied positions in the region and a number of sharp ground clashes were reported on 5-6 May. Well dug in allied forces suffered generally light casualties, but four US troops were killed and 25 wounded by mortar fire at one base in Binh Long and South Vietnamese irregulars lost three killed and 18 wounded in a fight in War Zone "D."

In Tay Ninh Province the enemy unit which mounted a heavy ground assault against a US company during the night of 5-6 May has been identified as an element of the North Vietnamese 1st Division. In addition to 133 enemy killed in the battle, 33 prisoners were taken--an unusually high number of main force troops. Many of the prisoners are probably inexperienced troops from newly arrived infiltration groups, which the enemy has been relying on to maintain sporadic military pressure in northwest III Corps.

The North Vietnamese are clearly continuing these costly assaults in hopes of inflicting significant US casualties, which they consider a key factor in raising US domestic pressure for a settlement.

The Communists may also harass Saigon with rockets as part of their May campaign plan. A recently captured prisoner claims that 100 civilian laborers have been ordered to move heavy rockets toward the capital during the night of 7-8 May.

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Korea: [South Korean security authorities may have uncovered an important North Korean espionage net.]

[A national assemblyman belonging to the government party was arrested on 1 May on charges of "traveling to North Korea" a few years ago, reportedly during his student days in London. According to a National Assembly official, the case could take on bigger proportions than the arrests in 1967 of the members of an East Berlin - based North Korean spy ring which involved several prominent South Korean intellectuals at home and abroad. The arrest--as yet unannounced--was made on the basis of

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[There are already signs that this development will produce serious political repercussions. A leading opposition legislator has informed the US Embassy that once the case is made public his party intends to charge the government party with recruiting Communist sympathizers. It is also likely that factional elements within the regime will try to exploit the incident. The arrested legislator may have had political ties that could aggravate infighting within the regime over the question of a third term for President Pak in 1971.]

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Chile: Pressure for some form of action against US-based copper companies is increasing in President Frei's Christian Democratic Party.

The left-wing "rebel" sector of the party has long advocated nationalization of the companies, although the Frei administration has stood firmly behind the "Chileanization" agreements signed in 1967 that give the Chilean Government participation in the ownership and management of the companies. Several weeks ago, however, a deputy from the section of the party that usually supports Frei called for nationalization of Anaconda on the ground that it had been buying up mineral lands in the north, thus putting more resources into foreign hands.

The position officially adopted at a meeting of the Christian Democratic Party last week goes beyond Frei's policy and calls for "recovery of natural resources through a policy of Chileanization or nationalization in accord with the national interest."

Action against the copper companies appears to be a subject on which much of the party, otherwise badly divided, can agree. It is certain to be an important issue in the campaign for the presidential election in 1970.

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Turkey: [The  
[REDACTED]

[Minister of  
rel's personal representative on the case, has called  
together union and company officials in an effort  
to end the labor dispute. There has been little  
indication thus far of a willingness to compromise,  
however.]

ILLEGIB

[For the time being, at least, all the strike  
sites appear to be quiet, but there have been sev-  
eral instances of violence and harassment of US  
personnel. The most serious of these arose at a  
US Army water terminal and a cold storage facility  
near Istanbul, where strikers cut phone lines and  
interfered with mail deliveries. Some trouble also  
occurred in the key ports of Istanbul, Izmir, and  
Iskenderun when US ships arrived carrying troop  
supplies and military aid cargo. The USNS O'Brien,  
which reached Izmir a week ago, left port without  
unloading when dock strikers threatened to board  
it. The ship's master reportedly was jostled by  
the mob when he refused to hand over the manifest.]

[Turkish officials have instructed union lead-  
ers to take all necessary precautions to prevent  
any further interference with the unloading of  
American ships carrying military cargo.]

[The main issues in the strike, which could  
spread to nearly all US military installations in  
Turkey, are wage increases, severance pay, demands  
for managerial positions, and annual bonuses. The  
strike is actually targeted against the American  
firm hiring Turkish labor rather than against the  
US installations themselves. The strikers, how-  
ever, are picketing the installations where the  
contract labor works in order to bring pressure  
against the hiring firm.]

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Iran: The Shah has taken a series of steps designed to strengthen and partially restructure the Iranian armed forces.

In a surprise move, the Shah replaced the chief of the Supreme Commander's Staff, General Bahram Ariana, with Lt. General Feridun Jam. He has also replaced the commanding general of the Iranian ground forces.

The changes result from differences in philosophy on the organization of the Iranian armed forces and could also reflect a desire to replace incumbents with younger, more aggressive, and highly professional officers. Ariana, who was not in sympathy with the Shah on key development issues, has not been generally receptive to modern military techniques and doctrine. Jam, a close personal friend of the Shah, is considered an intelligent and forceful leader.

General Jam has already planned two changes in the military structure. The Iranian Military Intelligence Department (MID) will be abolished and its functions merged with the intelligence group in the Supreme Commander's Staff. Troop commanders had criticized the MID for inadequate reporting on Iraqi dispositions, especially during the early days of the Shatt al-Arab crisis. Jam has also said that the army will give increased emphasis to the development of a smaller, more mobile ground force. A key element in the new plan will be a buildup of "militia" forces among the tribes, staffed and commanded by army officers and organized for guerrilla-type warfare.

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Portuguese Africa - Zambia: [The Portuguese apparently have agreed to restrict all air force and army counterinsurgency units from areas at least ten miles from the Mozambique-Zambian frontier.]

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[REDACTED] It is designed to halt the numerous incidents that have occurred on the Zambian side of the border between Portuguese forces and Zambia-based insurgents. The agreement also lessens the chance of another direct encounter between Portuguese and Zambian troops such as the one that occurred last November.

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Portugal's willingness to implement the agreement will probably be predicated on Zambia's continuing to restrict the activities of guerrillas on its territory.]

[Zambia's dependence on transport routes through Portuguese Africa and a mutual desire by Lisbon and Lusaka to prevent the spread of fighting to Zambia have opened the way for considerable unofficial contact and a surprising degree of accommodation. Border problems related to insurgent activity and Zambia's expanded use of rail routes through Portuguese Angola have been the most notable examples of agreement.]

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Bolivia: The cabinet sworn in on 5 May reflects a compromise between President Siles and armed forces commander in chief Ovando. It includes two relatives of Ovando and members of all the parties that supported the Barrientos administration but none of the young technicians Barrientos had favored. In general, the cabinet seems competent and perhaps somewhat more conservative than the one it replaced.

\* \* \* \*

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West Germany - Berlin: The decision of the Bundestag leadership to hold committee meetings in West Berlin early next month will probably arouse some opposition in West Germany and draw protests from East Berlin and Moscow. West German traditionalists have long argued that such meetings are necessary to emphasize Bonn-Berlin ties. Opponents have claimed that the sessions unnecessarily harm chances for easing tensions with East Germany and the Soviet Union. Leaders of the Kiesinger government, including the chancellor, showed a willingness prior to the 5 March presidential election in Berlin to de-emphasize the federal presence in the city, if the price were right. They may be receptive to private negotiations with the East concerning the meetings.

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